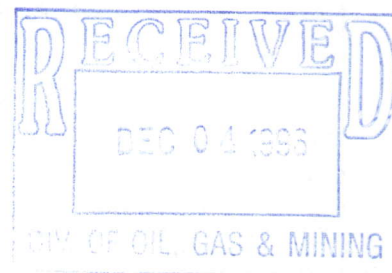




East Carbon Constructors, Inc.

December 2, 1996



State of Utah  
Division of Oil, Gas and Mining  
1594 West North Temple  
Suite 1210  
PO Box 145801  
SLC, Ut 84114-5801

RE: Permit # M/015/062

Dear Mr. Gallegos:

Please be advised we are hereby requesting the release of the reclamation surety pertaining to the above referenced permit number.

It is our understanding that the reclamation surety provided by our company applies to that portion of the Pagano Pit that was disturbed in 1992 and reclaimed in the Spring of 1993.

As per our conversation, we have graded the existing mound of gravel and obliterated the access road leading to it.

Thank you for your time and cooperation in helping us to complete this operation.

Sincerely,

*Hank Regulski*

Hank Regulski  
Project Manager

**DIVISION OF OIL, GAS & MINING  
MINERALS REGULATORY PROGRAM**

**PROCEDURES FOR RELEASE OF  
RECLAMATION SURETY  
AND  
SURETY CHANGES**

October 23, 1996

The following procedures should be used to address release of reclamation surety upon reclamation and successful revegetation of a mine site and to address changes to reclamation surety under the Minerals Regulatory Program. These procedures apply to Exploration Projects over five (5) acres of surface disturbance and Large Mining Operations. The Division of Oil, Gas and Mining (DOGM) will provide the Board of Oil, Gas and Mining (Board) with a monthly summary of activities completed under this policy.

**I. CATEGORIES OF SURETY RELEASE**

**A. Partial Surety Release**

1. Due to partial permit transfer or conversion from Large Mine to Small Mine.
2. Due to partial reclamation and revegetation.

**B. Full Surety Release**

1. Complete reclamation and successful revegetation.
2. Due to full permit transfer.

**II. SIGNATURE AUTHORITY FOR SURETY RELEASE**

**A. Director, Division of Oil, Gas and Mining**

Director has authority to release all forms of surety except Self-Bonds and Board Contracts.

**B. Board of Oil, Gas and Mining**

Chairman of the Board must formally sign for release of Self-Bonds and Board Contracts after majority concurrence of Board members.

**III. PROCEDURES TO FOLLOW FOR FORMAL RELEASE  
OF RECLAMATION SURETY**

**A. Surety Release by Director - FULL/PARTIAL RECLAMATION**

1. DOGM receives formal written request for surety release from operator.

2. DOGM technical staff perform necessary field inspection to verify complete reclamation and revegetation success (within 30 days of notification - weather permitting).

If surety is jointly held, then a joint agency on-site inspection is performed by the respective agencies.

3. The permit lead prepares written documentation (memorandum) summarizing results of reclamation work performed and revegetation success. The memorandum is routed through the Director with appropriate recommendations concerning the request for release.

In the situation where an operator reclaims a portion of the mine site to qualify for the five-acre and under designation, the Division will follow rules R647-3.109 (13.11 or 13.12). If Division staff determines the revegetation to be satisfactory after surviving one growing season, a portion of the bond can be released.

4. Director reviews the documentation and supports or denies the request. The permit lead is notified accordingly.
5. The permit lead prepares a draft letter for the Director's signature regarding approval or disapproval of request for surety release. Letter is signed and forwarded along with the original surety (if appropriate) to the operator.
6. DOGM technical staff make necessary changes in computer tracking system concerning release of reclamation surety and also prepare proper forms for file retirement.

#### **B. Surety Release by Director - FULL/PARTIAL PERMIT TRANSFERS**

This section applies to all permit transfers including those covered under a "Board Contract" reclamation surety. Surety release will not be considered until new operator has provided replacement surety and the Board has approved form and amount.

1. DOGM receives formal application for a permit transfer and surety release from operator. In the situation where the transferee wants to reclaim a portion of a site to qualify for the five-acre and under designation, the transferee must assume full bonding responsibility for the site until the requirements of Rule R647-3-109.(13.11 or 13.12) have been fulfilled. The Division will require at least one full growing season after initial reclamation before releasing any portion of the bond.
2. If necessary, DOGM technical staff perform a field inspection to verify current status of mining operations (within 30 days of notification - weather permitting).
3. The permit lead prepares written documentation (memorandum) summarizing results of field inspection, any required reclamation surety changes and other

pertinent details of the permit transfer. The permit transfer application and a memorandum are forwarded to the Director with appropriate recommendations concerning the request for permit transfer and surety release.

4. Director reviews the supporting documentation, signs and dates the application if everything is complete and approvable. The permit lead is notified accordingly.
5. The permit lead prepares draft letter for the Director's signature regarding approval or disapproval of request for permit transfer and surety release. Letter is signed by the Director and forwarded to the operator.

Joint agency concurrence is obtained prior to release of surety by DOGM. If the surety is held by an agency other than DOGM, that agency is formally notified of DOGM's recommendation regarding surety release.

6. DOGM technical staff make necessary changes in computer tracking system concerning the permit transfer and release or adjustment of the reclamation surety. The technical staff also prepare the proper forms for file retirement.
7. The Director also has signatory authority to release a Small Mining Operator from further reclamation and revegetation obligations upon successful completion of his reclamation responsibilities.

**C. Surety Release by the Board - FULL/PARTIAL RECLAMATION**

**Board Contracts Only**

1. DOGM receives formal written request for surety release from operator.
2. DOGM technical staff perform necessary field inspection to verify complete reclamation and revegetation success (within 30 days of notification - weather permitting).

If surety is jointly held, then a joint agency on-site inspection is performed by the respective agencies.

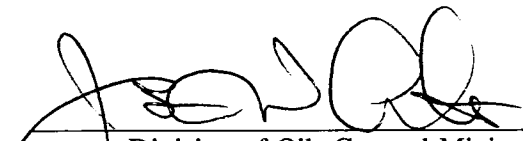
3. The permit lead prepares written documentation (memorandum) summarizing results of the reclamation work performed and revegetation success. A memorandum is prepared for the Board, directed through the Associate Director of Mining with appropriate recommendations concerning the operator's request for release.
4. Associate Director reviews documentation and forwards finalized recommendation to the Chairman of the Board for approval or denial.
5. The permit lead prepares a draft letter for the Director's signature regarding approval or disapproval of request for "Board Contract" surety release. Letter is signed by the Director and forwarded along with the original surety to the operator.

Joint agency concurrence is obtained prior to release of surety by Board and DOGM. The other agency is provided a copy of final decision.


6. DOGM technical staff make necessary changes in computer tracking system concerning release of reclamation surety and also prepare proper forms for file retirement.

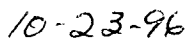
#### IV. SURETY CHANGES DELEGATED TO DIVISION DIRECTOR

- A. A change in surety company only. Form of surety remains the same. The operator remains the same, and there are no changes to the approved mining and reclamation plan.
- B. A change in the amount of surety due to an escalation adjustment only. The form of surety remains the same, and there are no changes to the approved mining and reclamation plan. This surety adjustment is often accomplished by issuance of a rider.
- C. A change in the name of the operator due to corporate restructuring. There is no change to the operator, only a new corporate name. The form of the surety and the surety company remain the same. There are no changes to the approved mining and reclamation plan.

  
\_\_\_\_\_  
Division of Oil, Gas and Mining

  
\_\_\_\_\_  
Date

  
\_\_\_\_\_  
Board of Oil, Gas and Mining

  
\_\_\_\_\_  
Date